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VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 347 September, 1989

Business in Virginia August, 1989

We apologize for the delay in the Report this month. Some data we felt were worth waiting for were not available until after our usual cutoff date, and in a choice between accuracy and timeliness we chose accuracy.

Our regular readers will notice a difference in Chart I and Tables II and III. Our monthly commentary frequently focuses on the seven "early" indicators for the past month. To more clearly highlight that set of indicators, only those seven henceforth will be shown in Chart I. In addition, Tables II and III have been rearranged to place those seven indicators together, followed by the two lagged series, Nonagricultural Employment and Total Retail Sales as reported to the Virginia Department of Taxation.

The early indicators for August depict a month of slower economic activity compared to August of 1989. Five of the seven declined statewide, with a sixth, bank debits, up only an insignificant 0.3%.

The single clear gain was by building permits, jumping 15.9%. That highly volatile series, however, declined in May, June, and July, so a rebound in August is not startling. It also should not be viewed as very encouraging for the construction industry — for the first eight months of 1989, as shown in Table III, our statewide sample of localities has experienced a decline of 4.8% in the dollar value of new building permits. As we have warned repeatedly, the building boom in Virginia temporarily is coming to a halt. That already is quite evident in the Hampton Roads metropolitan area, on both sides of the James River, and it will be apparent very soon in other areas of the Commonwealth.

New car registrations in Virginia continued their downward trend in August, falling 5.4 % from the same month last year. That went counter to an August surge nationwide, spurred by incentives and anticipation of higher prices for the 1990 models. Virginians could have bought — our per capita income growth still ranks in the top ten among the 50 states — but are choosing not to do so. For the year to date, new car sales are down 9.1% across the state. High rates of purchase in recent years have provided Virginians with a large stock of current models that they do not wish to replace now or in the near future. Our assessment is Virginia new car sales will be no stronger in 1990 than in 1989.

Our sample of retailers realized a 1.5% drop in August sales per store, leaving the cumulative January-August decline at 0.7%. This year definitely has shown less growth in retail demand than expected. The total taxable retail sales as reported to the Virginia Department of Taxation indicate an increase statewide of 5.3% for January through August, well below our November 1988 prediction of a 1989 rise of 7.1%. That prediction now seems unattainable since the outlook for the fall and Christmas periods is only modest gains compared to last year. You may recall that in 1989 Virginia retailers experienced a spectacular surge in retail sales at Christmastime. Today's economic environment, while still very satisfying, is highly unlikely to stimulate a similar carefree splurge this year.

The two lagged series we examine are total retail sales and payroll employment. In July total retail sales fell a marginal 0.1% compared to July 1988, following a reported 13.7% rise in June. The combined result for June and July, discussed more extensively in our second article ths month, was a 6.3% advance statewide. Not bad, but below the 6.7% growth nation-

Chart I

Seven Selected Business & Economic Indicators Percentage Change

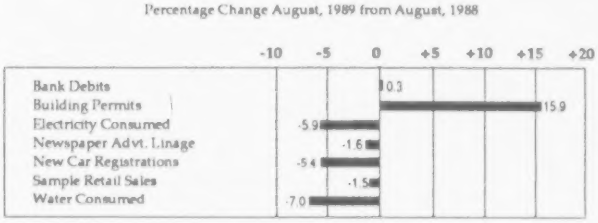
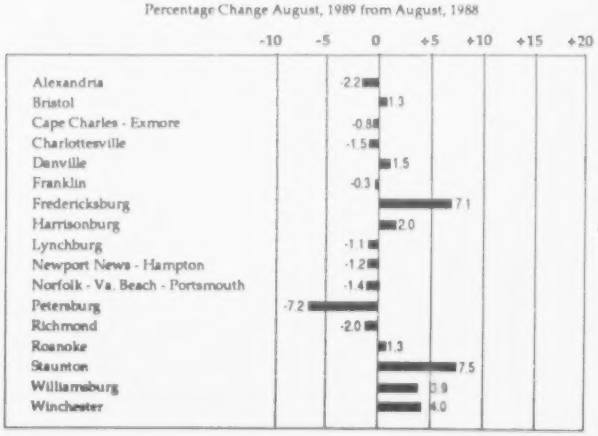


Chart II

City Indices



SELECTED BUSINESS AND ECONOMIC INDICATORS FOR 17 CITIES

TABLE I August, 1989 — Monthly Index Number Comparisons of Current Month to Same Month in Base Period (1977) - Base Period = 100

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	WATER CONSUMED	SAMPLE RETAIL SALES †	SEPTEMBER NON-AGRI-CULTURAL EMPLOYMENT #	POSTAL RECEIPTS
The State		216.3	257.3	183.0	101.9	188.5	86.7	148.8	152.0	488.7
Alexandria	161.7	551.8	1436.0	213.0	N.A.	121.3	120.8	151.2	215.5	330.9
Bristol	139.0	N.A.	168.0	109.7	74.7	112.2	104.1	130.1	119.0	234.2
Cape Charles - Exmore	117.2	N.A.	290.7	169.0	N.A.	95.1	N.A.	100.8	N.A.	332.9
Charlottesville	194.6	159.5	228.5	162.0	N.A.	112.5	134.7	228.0	111.7	234.0
Danville	136.0	N.A.	266.0	133.6	N.A.	87.4	91.0	N.A.	105.4	262.0
Franklin	152.7	N.A.	114.5	140.1	127.8	111.5	105.7	158.1	N.A.	1747.6
Fredericksburg	465.2	273.1	483.7	N.A.	169.0	214.3	103.0	286.2	N.A.	336.3
Harrisonburg	173.0	362.6	1053.3	N.A.	165.5	86.0	158.8	158.4	N.A.	1627.0
Lynchburg	273.7	473.2	1056.8	138.6	N.A.	80.5	116.8	175.6	100.8	N.A.
Newport News - Hampton	143.4	N.A.	207.2	162.0	99.8	82.3	N.A.	186.1	145.8	N.A.
Norfolk - Va. Beach - Portsmouth	154.2	113.2	235.1	199.2		93.1	96.1	203.7		281.4
Petersburg	116.0	110.4	101.9	N.A.	N.A.	67.4	127.1	106.9	138.6	384.6
Richmond	152.1	203.7	196.6	198.9	119.1	90.6	120.0	111.8		436.7
Roanoke	169.2	403.3	92.0	131.1	137.0	68.9	124.0	173.3	126.5	228.4
Staunton	169.8	158.5	261.7	N.A.	90.7	96.0	N.A.	196.7	N.A.	422.0
Williamsburg	187.8	239.3	311.4	216.5	N.A.	159.3	131.2	153.4	N.A.	N.A.
Winchester	191.5	424.0	417.3	152.6	273.7	136.7	N.A.	N.A.	N.A.	120.8

TABLE II August, 1989 — Percentage Change from Same Month Last Year.

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	WATER CONSUMED	SAMPLE RETAIL SALES †	JULY NON-AGRI-CULTURAL EMPLOYMENT #	JULY TOTAL RETAIL SALES ‡
The State		0.3	15.9	-5.9	-1.6	-5.4	-7.0	-1.5	3.9	-0.1
Alexandria	-1.5	2.1	463.6	-7.7	N.A.	-3.3	-2.3	-2.3	6.6	1.6
Bristol	3.7	N.A.	127.7	0.2	16.9	27.0	-29.0	3.0	3.2	6.0
Cape Charles - Exmore	-5.3	N.A.	-58.9	-4.1	N.A.	4.5	-41.7	0.3	N.A.	3.2
Charlottesville	-4.1	-17.1	-56.0	-7.2	N.A.	-12.1	-11.7	-4.1	1.9	8.4
Danville	1.3	N.A.	94.7	0.3	N.A.	-7.8	1.2	N.A.	3.4	9.5
Franklin	0.6	N.A.	171.3	-14.8	-0.3	30.8	-1.5	1.7	N.A.	-14.3
Fredericksburg	7.2	-3.1	-4.0	N.A.	2.6	-2.4	-4.6	17.5	N.A.	2.2
Harrisonburg	-1.2	18.2	-18.6	N.A.	-2.6	-10.1	-7.2	1.1	N.A.	8.0
Lynchburg	-7.8	14.4	884.1	-5.5	N.A.	-5.0	-19.1	-13.0	2.5	3.4
Newport News - Hampton	-4.8	N.A.	-48.6	-2.4	-2.8	-19.2	N.A.	-2.0	0.1	-8.4
Norfolk - Va. Beach - Portsmouth	-3.8	-5.6	-14.7	-7.7		-7.8	-3.6	-2.5		-5.3
Petersburg	-7.8	-4.7	-55.8	N.A.	N.A.	-14.2	0.5	-17.1	2.7	7.6
Richmond	-7.0	39.0	-23.1	-5.5	-0.3	-30.8	-13.5	-8.5		-4.4
Roanoke	2.5	5.5	60.2	-0.8	-9.0	1.7	2.4	9.1	1.1	0.2
Staunton	13.0	-4.9	19.7	N.A.	2.7	16.3	N.A.	14.6	N.A.	15.4
Williamsburg	-1.8	31.6	-18.8	-6.0	N.A.	-5.1	-0.2	3.5	N.A.	-11.7
Winchester	-0.9	-2.9	231.2	0.8	7.2	-20.9	N.A.	N.A.	N.A.	10.3

TABLE III — Percentage Change January - August from Same Period Last Year.

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	WATER CONSUMED	SAMPLE RETAIL SALES †	JAN. - JULY NON-AGRI-CULTURAL EMPLOYMENT #	JAN. - JULY TOTAL RETAIL SALES ‡
The State		-9.8	-4.8	2.9	-1.9	-9.1	-1.1	-0.7	4.2	5.3
Alexandria	-2.2	7.5	37.5	2.9	N.A.	-6.9	-2.3	-7.5	5.4	5.5
Bristol	1.3	N.A.	3.9	1.7	7.2	-3.6	-15.9	3.2	3.2	9.3
Cape Charles - Exmore	-0.8	N.A.	32.4	5.7	N.A.	-13.1	N.A.	-3.0	N.A.	10.8
Charlottesville	-1.5	-22.6	-36.2	2.9	N.A.	-29.3	2.3	2.1	0.9	4.9
Danville	1.5	N.A.	80.1	5.1	N.A.	-5.2	1.1	N.A.	3.5	3.0
Franklin	-0.3	N.A.	-44.3	1.9	-0.5	4.7	-2.9	-1.5	N.A.	-0.8
Fredericksburg	7.1	15.0	-27.6	N.A.	2.7	-5.3	11.7	11.2	N.A.	6.8
Harrisonburg	2.0	33.6	30.8	N.A.	-2.3	-9.6	0.0	6.6	N.A.	6.0
Lynchburg	-1.1	7.5	112.5	1.8	N.A.	-13.9	1.7	-1.7	2.0	4.9
Newport News - Hampton	-1.2	N.A.	-21.1	3.9	N.A.	-13.4	N.A.	-1.8	0.8	5.9
Norfolk - Va. Beach - Portsmouth	-1.4	-26.5	-15.4	1.0		-5.4	N.A.	-3.1		3.1
Petersburg	-7.2	-23.5	-40.1	N.A.	N.A.	-25.3	4.1	-14.3	2.6	11.2
Richmond	-2.0	-6.4	17.6	3.3	-2.1	-21.2	-4.3	-1.6		0.0
Roanoke	1.3	6.0	23.5	3.4	-4.5	-5.0	-0.7	4.7	1.3	3.4
Staunton	7.5	15.5	69.0	N.A.	-0.4	-9.0	N.A.	14.3	N.A.	11.2
Williamsburg	3.9	18.3	-41.8	13.0	N.A.	-2.7	3.7	3.2	N.A.	3.9
Winchester	4.0	N.A.	96.5	3.2	4.8	-5.7	N.A.	N.A.	N.A.	9.6

* Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits and Bank Debits, which are excluded because of their highly erratic nature.
# Virginia Employment Commission data which lags behind current reports.
† Preliminary data based on a survey sample.
‡ Total sales based on sales tax information which lags behind current reports.
⊃ Only total MSA data are available for these areas.

N.A. – Not Available
0.0. – No Change

ally for a comparable measure, total retail sales excluding the automobile group, as well as below most Virginia forecasts including ours.

On the other hand, payroll job growth through July averaged 3.9% for the year to date, a strong performance and above our November 1988 prediction of a 3.2% increase during 1989. Such high job growth is encouraging. However, remember that employment is a coincident indicator, one that generally does not slow down until the economy already is shifting into a lower gear. Employers will not continue to hire at current rates as most other Virginia economic measures are decelerating — job growth will slow markedly very soon.

The above comments may sound depressing, with the many references to either slowing growth or falling levels. However, even with a significant slowdown in our overall growth, national forecasters as well as our Bureau are predicting, with good reason, that Virginia will continue to experience income and job growth above the national average in 1990. RLP

June-July Retail Sales Growth Across Virginia

The general sales tax receipts for June soared, showing a 13.7% increase in total retail sales for the state compared to June of 1988. Now we find that for July the statewide year-to-year change was a decline of 0.1%, as reported in Table II.

Neither monthly outcome is a reliable indicator of summer retail sales in Virginia. Therefore we totaled the June and July sales for 1988 and for 1989 and then calculated the growth rates, to offer a clearer perspective on recent retail buying around the state. The June and July total sales for 1989 and the growth rates from the same two months in 1988 are given in Table IV in rank order for the Commonwealth and 31 regional areas within it. The areas for which the names are shown in ALL CAPITAL letters are the seventeen we regularly cover, as listed in Tables I-III.

In Table IV we have added the remaining thirteen Labor Market Areas (LMAs) as defined by the Virginia Employment Commission—see any issue of their monthly Labor Market Review for a complete listing of the cities and counties included in each of Virginia's eight Metropolitan Statistical Areas (MSAs) and its twenty LMAs. We have 31 areas instead of the 28 defined by the VEC because we divide the Richmond-Petersburg MSA into two portions, a Richmond Area and a Petersburg Area; and we separate the Norfolk-Virginia Beach-Newport News MSA into three parts: the Norfolk-Virginia Beach-Portsmouth Area (with Chesapeake and Suffolk), the Newport News-Hampton Area (also including Gloucester County, Poquoson, and York County), and the Williamsburg Area consisting of Williamsburg and James City County. Our 31 areas (and the VEC's 28) encompass all of Virginia's cities and counties, giving a complete record of the state's performance by region.

Along with total retail sales we included a second indicator in Table IV—the civilian labor force in each area during July 1989 and the percentage change since July 1988. Population figures by area for 1989 are not available, so we turned to the civilian labor force measure as an alternative for offering some insights into resident growth in the areas.

The civilian labor force estimate is based on a monthly household survey and shows the number of residents over 16 who are employed or actively seeking work. Thus an area's labor force can rise for two reasons: a new resident with, or seeking, a job moves to the area; or, an existing resident not previously in the labor force, such as a student or a spouse, decides to get a job outside of the home. Accordingly, changes in the labor force depend on individual choices and are not just a headcount of the adult population; and a rising participation rate, the percent of the population choosing to be in the labor force, has been a major source for filling new jobs. Our own rough estimate is about 70% of Virginia's jobs created since 1982 have been filled by residents here prior to 1982, while only 30% have been taken by people moving or commuting to Virginia. The point is that the labor force and employment can rise (or fall) faster than total population because of changes in the participation rate. However, an area's resident labor force and its population generally can be expected to move in the same direction. In any case, the civilian labor force in an area and its growth rate should be a significant indicator of the local resident retail customer base. This rather lengthy background is appropriate because the actual data reported in Table IV do not reveal any significant link at the local level between retail sales growth and the percentage change in an area's civilian labor force.

As shown in the lower portion of Table IV, retail sales in Virginia for June and July 1989 totaled slightly more than $8 billion. That was a 6.3% gain from the same months in 1988, marginally below the 6.7% rise for a comparable national retail measure, as noted on the front page. With the prices of retail merchandise rising at about a 4% rate, the Virginia retail growth for the June and July period was a little over 2%. That coincides with a 2.0% increase in the state's civilian labor force from July 1988 to July 1989 — not much real change in purchases per member of the labor force.

Turning to the local areas, one can see that the 17 we regularly cover are well dispersed throughout the list, showing they do indeed give a reasonably representative view of the differences in economic activity across the Commonwealth.

The full list quite dramatically displays the wide range of retail growth rates across the state for June and July—from the 26.2% for the Norton LMA to a decrease of 6.7% further north in the Bath-Highland LMA, a spread of almost 33 percentage points.

There were 13 areas with double-digit increases, all of which are either small urban or more rural areas. You have to move below the double-digit range, to Lynchburg's 9.9% increase, before reaching a metropolitan area with more than 70,00 persons in its labor force. Note also that the 13 top areas in retail sales percentage gains generally had little or no growth in the labor force. Only the Danville MSA and the Petersburg Area, with labor force advances of 2.8% and 3.3% respectively, achieved significant increases.

Only three of the areas experienced actual declines in dollar sales for this part of the summer. However, there were eight areas with growth rates below 4%, the retail inflation rate, implying the real volume of goods sold declined in these areas. The portion of Virginia from Richmond eastward includes six of those eight areas. Notably, the major region of the state with no real growth in retail sales for June and July combined was all three segments of the Norfolk-Virginia Beach-Newport News MSA.

One final observation regarding the civilian labor force. The statewide increase of 2% July to July was a net addition of 63,401 persons. The Northern Virginia growth of 5.2% represents a gain of 47,622 people in the resident labor force there. Thus from July to July, the growth in the labor force residing in Northern Virginia accounted for 75.1%, three out of four, of the net additions to Virginia's labor force. RLP

TABLE IV

JUNE-JULY RETAIL SALES BY VIRGINIA REGIONS

	TOTAL RETAIL SALES		CIVILIAN LABOR FORCE	
	JUNE & JULY 1989	1988-1989 JUNE & JULY % CHANGE	JULY 1989	1988-1989 % CHANGE
Norton LMA	$63,602,324	26.2%	24,581	-3.4%
EASTERN SHORE LMA	$54,550,137	19.9%	19,407	0.2%
STAUNTON-WAYNESBORO LMA	$112,301,491	13.5%	45,430	-6.1%
Covington LMA	$25,106,243	12.9%	10,652	-5.8%
Martinsville LMA	$86,471,310	12.7%	50,826	-2.3%
BRISTOL VA. AREA	$96,297,447	12.3%	44,252	0.7%
WINCHESTER LMA	$120,001,076	11.9%	33,898	0.4%
Buena Vista LMA	29,567,727	11.6%	13,485	-1.8%
DANVILLE MSA	$99,361,148	11.3%	54,146	2.8%
PETERSBURG AREA	$130,759,622	10.7%	59,071	3.3%
Galax LMA	$37,452,350	10.6%	24,483	-0.8%
Essex-Richmond LMA	$26,882,664	10.5%	8,373	0.7%
FREDERICKSBURG LMA	$141,464,546	10.2%	34,199	1.8%
LYNCHBURG MSA	$182,293,192	9.9%	72,254	1.7%
Radford LMA	$130,242,028	9.8%	72,189	1.1%
Emporia LMA	$16,162,002	9.7%	7,188	0.3%
HARRISONBURG LMA	$117,180,271	8.7%	46,231	-5.2%
CHARLOTTESVILLE MSA	$175,970,115	8.7%	67,206	0.5%
ALEXANDRIA (NORTHERN VA. MSA)	$2,510,085,516	7.8%	963,870	5.2%
ROANOKE MSA	$364,994,362	6.8%	125,374	1.1%
Lancaster-Northumberland LMA	$21,747,688	6.5%	9,083	0.5%
STATE TOTAL	$8,006,379,721	6.3%	3,215,949	2.0%
Bedford LMA	$27,742,939	4.8%	13,485	-1.8%
Cumberland-Prince Edward LMA	$23,524,778	4.7%	9,821	-2.5%
NORFOLK-VA.BEACH-PORTSMOUTH AREA	$1,128,685,751	3.1%	426,648	0.5%
RICHMOND AREA	$1,131,181,680	2.6%	485,719	0.9%
South Boston LMA	$26,818,450	2.5%	17,078	1.5%
NEWPORT NEWS/HAMPTON AREA	$419,326,199	2.2%	183,090	0.2%
WILLIAMSBURG AREA	$126,748,080	0.7%	21,748	0.0%
King & Queen-King William LMA	$9,579,919	-0.3%	7,655	-2.8%
FRANKLIN LMA	$35,143,566	-3.9%	20,530	2.6%
Bath-Highland LMA	$11,115,344	-6.7%	2,700	-4.7%

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